



## SUCCESSFUL ONLINE CROWDFUNDING PLATFORMS

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### ABSTRACT

Crowd funding is not a new concept in India. Contributions in the form of donation have been taken to build temples, cash covers are taken at marriages and religious festivals. Crowd funding is the best option for the small and new entrepreneur. India with its huge market and human capital has become a popular destination for global business and other investments. India with a population of over 1.2 billion, expect the capital formation power of crowd funding would be taking hold in this dynamic country. Crowd funding is the fast, efficient and effective way to raise fund with low cost. It provides an opportunity to an entrepreneur to pre-sell the product and observe the users response. Among the global online crowd funding platforms crowdfunder.com encourage both donation and investment based crowd funding model. Ketto is only platforms supported to social causes by NGO where as other platforms such as Wishberry, Catapoolit, Ignite Intent and Start51 are emphasis on innovative and creative ideas. The study concludes that internet penetration and e-commerce pave the way for the success of crowd funding in future.

**KEYWORDS:** Crowd funding, online platforms, investment, projects.

### INTRODUCTION:

Crowd funding is a process of soliciting funds from the general public to support a business idea or create projects. Crowd funding is not a new concept in India. Contributions in the form of donation have been taken to build temples, cash covers are taken at marriages and religious festivals. Crowd funding allows large group of people to replace banks and other institutions as a source of funds for financing a project by requesting and receiving small contribution from many parties in exchange for a form of value to those parties. It connects investors with small business startups and projects through an online transaction portal that removes barriers to entry. Crowd funding is the best option for the small and new entrepreneur. India with its huge market and human capital has become a popular destination for global business and other investments that have identified opportunities.

### REVIEW OF LITERATURE:

Schwienbacher and Larralde (2010) states that crowd funding is open call through the Internet, for the provision of financial resources either in the form of donation or in exchange for some form of reward for specific purpose.

Agrawal Ajay and Avi Gold Farb (2011) have studied geographic territory of crowd funding and indicate that local investors are motivated to invest in project initiated by their territory people compare to other investors.

Ethan Mollic (2013) have studied the dynamics of crowd funding and quality of projects and connections are the determinants for the success of crowd funded projects.

Darshana Thaker (2015) have studied entrepreneurs and investors conceptual frame work towards crowd funding and make them to raise funds easily with least cost.

Hetal Jhaveri and Anjali Nirav Choksi (2015) have studied the Indian online crowd funding platforms and found that Ketto is only the platform for social cause that receive foreign grants.

### INDIAN SCENARIO:

India with a population of over 1.2 billion, expect the capital formation power of crowd funding would be taking hold in this dynamic country. Crowd funding is

becoming alternative funding channel for the film industry. India is biggest country for Non-Government organisation creating lot of new platforms for new creative entrepreneur. The new companies Act mandate all companies to spend 2% of their profit on corporate social activities. There are legal issues around crowd funding in India, some of the key points are the job act has restriction on the amount borrowed, compulsory auditing should be certified, disclosures need to be made by the company for raising and utilization of fund

### Role of Crowd Funding in India:

Crowd funding is useful for a variety of opportunities, whether creating a project or a new start up.

- i) Crowd funding helps a talented people to cross the hurdles of lack of money and provide opportunity to fulfill dreams.
- ii) Crowd funding is the fast, efficient and effective way to raise fund with low cost.
- iii) Crowd funding is available for long term and short term that also minimise traditional fund raising process for the business.
- iv) In crowd funding individuals contributing the small amount knows the business idea in advance helps to reduce risk.
- v) Campaign created by the entrepreneur for his project in crowd funding platform leads to reduce time and paper work.
- vi) It provides an opportunity to an entrepreneur to pre-sell the product and observe the users response.

### LIMITATIONS:

- i) Crowd funding leads to stealing of a new idea of entrepreneur at the time of creating a campaign. Though crowd funding provide a way to attract an investors it provide a ways to disclose information about the entrepreneur idea to competitors very easily.
- ii) Generally investors prefer quick and timely return but crowd funding leads to less return and it create a pressure on the part of the entrepreneur.

### GLOBAL ONLINE CROWD FUNDING PLATFORMS

Platform	Purpose	Cost	Pros and Cons
KICKSTARTER	Funding for creative projects.	5% of funds raised plus 3-5% transaction fees.	Pros: Allows for greater project visibility limited to creative projects. Cons: Only allows projects based in the US and UK.
INDIEGOGO	Accessible option for campaigns worldwide.	4% of the funds of successful projects go to Indiegogo.  On the flexible funding plan, Indiegogo charges 4% if you reach your goal, 9% if you do not reach your goal. Transaction fees are an additional 3%.	Pros: No application process, available in every country, diverse spread of projects. Cons: More expensive if you don't reach your goal, but without the urgency of the all-or-nothing plan.

ROCKETHUB	Unique type of visibility through a recent partnership with A&E Project startup.	4% for completed campaign or 8% for partial campaign, with 4% transaction fees.	Pros: Easy to navigate interface, success school offers tools for building better projects and businesses.  Cons: Step down in terms of traffic from Kickstarter and Indiegogo.
FUNDRAZR	Entrepreneurial projects.	5% for completed or incomplete campaign plus 2.2%+\$030 transaction fees.	Pros: Deep social network integration to connect to people in your network, cheap and convenient transaction fees with funds going directly to your PayPal, can be used to fund anywhere.  Cons: More difficult to connect with other entrepreneurs and investors, with less than 5% of projects falling into the category of entrepreneur/creative.
GOGETFUNDING	London based fund rising site, raise money from pets medical bill and utilise it for creating a short film.	3.5% with a keep-what-you-raised model, plus 2.9% transaction fee.	Pros: Can be used for public or private projects, anyone can post a project, easy to use.  Cons: Fewer business / entrepreneurial projects.
CROWDFUNDER.COM	Donation-based and investment crowd funding models, as well as encouraging online and off-line crowd funding and collaboration.	5%, with an all-or-nothing format, plus 1.9%-5% Amazon FPS Transaction fee.	Pros: Mixes online and offline crowd funding.  Cons: Emphasis on businesses' long-term growth for-profit companies only.
STARTSOMEGOOD	For social entrepreneurs.	5% for completed campaign, with "tipping point" model, and 3% transaction fees.	Pros: Open globally, supports for-profits, nonprofits and individuals, attracts niche audience by highlighting projects centered on the social good.  Cons: Social good projects only, smaller reach than larger and more diverse websites.

There are plenty of other global online crowd funding Platforms such as GoFundMe, Ulule and RockThePost.

INDIAN ONLINE CROWD FUNDING PLATFORMS			
Platform	Sectors	Fees	Special purpose
KETTO	Supported only social causes floated by NGO. Ketto is donation based crowd funding model.	No Transaction fees.	Very focused on social causes.
WISHBERRY	Social as well as creative projects. Film, food, technology, theater & other – 8 categories. Wishberry is reward based crowd funding model.	Transaction fees: upfront fee of Rs.2,500.	Good presence and coverage in media.
CATAPOOOLT	Media and entertainment – movies, books, films and Start-Ups. Catapooolt is reward based crowd funding model.	Fees – 15% of the total funds raised.	Advisors - promote the ideas and help in fund raising.
IGNITE INTENT	All areas. Ignite Intent is reward based crowd funding model.	Free of charge	1) Project life cycle. 2) Practical usefulness and acceptance. 3) Dedication of the initiator and strength towards the projects.
START51	Any creative ideas in all areas. Start51 is reward based crowd funding model.	5% of contribution if successful.	1) Give advice on legal and company registration issues. 2) Offers consultancy and guidance on campaigns.

#### FINDINGS:

- Among the global online crowd funding platforms crowdfunder.com encourage both donation and investment based crowd funding model. It also offers both online and offline crowd funding.
- On an average 3-5% of transaction fees is collected in all global online crowd funding platform and Indiegogo is the most expensive platform which available in every countries.
- Gogetfunding is only online platform for creating films and Startsomedgood online platform deals with social goods only.
- Among the five Indian online crowd funding platforms, Ketto is only platforms supported to social causes by NGO where as other platforms such as Wishberry, Catapooolt, Ignite Intent and Start51 are emphasis on innovative and creative ideas.
- Ketto adopted donation based model of Crowd funding where other platforms adopted reward based model of crowd funding.

- Ketto and Ignite Intent do not charge any charges from the entrepreneur or initiator compare to that of other crowd funding platforms.

#### CONCLUSION:

The study deals with successful online crowd funding platforms. Crowd funding grow in an upward direction of fund raising for either social cause or creative based project. Compared to the global level India has to be improved in crowd funding. The study concludes that internet penetration and e-commerce pave the way for the success of crowd funding in future that helps crowd funding platform to float equity and lending based campaigns.

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